

Message Text

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53

ACTION AF-18

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-02 PA-03

PRS-01 USIA-12 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 RSR-01 /149 W
----- 036700

R 111513 Z MAY 73

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 8029

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

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E. O. 11652: N/ A

TAGS: EFIN, SF

SUBJECT: FINANCE MINISTER ANNOUNCES NEW POLICY ON BANKS

1. ALTHOUGH DETAILS NOT (RPT NOT) YET AVAILABLE, APRIL 11 PRESS REPORTS STATEMENT BY MINFIN DIEDERICHs THAT FOREIGN OWNED BANKS (A) WILL BE REQUIRED TO SEEL AT LEAST 50 PERCENT OF SHARES TO SOUTH AFRICANS WITHIN TEN YEARS AND (B) THEREAFTER, COULD INCREASE CAPITAL ONLY BY ISSUING NEW SHARES TO SA RESIDENTS UNTIL LEVEL OF 10 PERCENT FOREIGN OWNERSHIP REACHED. OTHER CHANGES ANNOUNCED BY MINFIN WERE REQUIREMENT THAT FOREIGN OWNED INSURANCE COMPANIES BECOME FULL SA SUBSIDIARIES AND THAT NO SINGLE SHAREHOLDER OR GROUP OWN MORE THAN 10 PERCENT OF ANY EXISTING MONEY MARKET DISCOUNT HOUSE. REPORTEDLY, IMPLEMENTING LEGISLATION TO BE INTRODUCED NEXT SESSION OF PARLIAMENT.

2. PROPOSED LIMITATION OF 50 PERCENT ON FOREIGN OWNERSHIP OF BANKS FORESHADOWED IN FRANZSEN COMMISSION REPORTS.
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BARCLAYS (LARGEST FOREIGN BANK IN SA) HAS ALREADY INSTITUTED PROGRAM TO REDUCE ITS FOREIGN OWNERSHIP.

3. MANAGING DIRECTOR OF STANDARD BANK INVESTMENT CORPORATION REPORTED AS SAYING PARENT COMPANY PREPARED TO REDUCE ITS 85 PERCENT HOLDINGS TO 50 PERCENT BUT THAT THIS WOULD PLACE HEAVY STRAIN ON SA BALANCE OF PAYMENTS. HE SAID THAT ADDITIONAL REQUIREMENT RE FUTURE CAPITAL INCREASES " UNREASONABLE AND UNREALISTIC" AND THAT IF PARENT COMPANY SHARE REDUCED TO 10 PERCENT, " IT WOULD HARDLY BE IN ITS INTEREST TO RETAIN THE CONNECTION".

4. PRESS NOTED THAT AMONG BANKS THAT WOULD BE AFFECTED ARE FIRST NATIONAL CITY BANK OF NEW YORK AND HILL SAMUEL OF LONDON.
HURD

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